

# TVA Highlights



*Third Quarter - Fiscal Year 2004*

## **Energy**

- TVA met a record average power demand in May. The average hourly demand on the TVA power system during the month was almost 2,000 megawatts higher than the previous record average of 17,528 megawatts set in May 2002.
- TVA, PJM, and the Midwest Independent System Operator agreed on a plan to strengthen regional electric grid reliability by continually sharing data. All three are crafting an agreement to coordinate power flows, regional transmission planning, and other issues.
- A Readiness Audit conducted by the North American Electric Reliability Council cited TVA as a “best practice” industry leader in several areas, including its system and area monitoring, backup capabilities, and culture of reliability.
- Generating units at Shawnee, Gallatin, and Widows Creek fossil plants set continuous-operation records during the quarter, and employees at John Sevier and Colbert fossil plants established safety milestones for hours worked without a lost-time accident.
- As part of the Strategic Plan adopted in January, TVA is reducing costs to increase cash flow that can be used to improve TVA’s financial flexibility. TVA also is collaborating with power distributors to develop pricing and contracting strategies for more competitive markets.

## **Environment**

- In May the TVA Board adopted a new operating policy for the reservoir system that increases recreational opportunities and improves navigation while maintaining effective flood control protection. Under the revised guidelines, tributary reservoir levels will remain higher until Labor Day to increase recreation and tourism benefits with a minimal impact on the cost of generation.
- TVA and the Ocoee River Outfitters Association signed a contract that provides 54 days of recreational water releases on the upper Ocoee River during this year’s rafting season.
- TVA added to its Web site an Environmental Reviews page that lists and describes projects for which TVA is preparing or has completed an Environmental Assessment or an Environmental Impact Statement. Opportunities for public involvement are highlighted.
- TVA’s 2002-2003 Environmental Report was distributed in May. This year’s report highlights TVA’s progress in improving the region’s air and water quality, promoting renewable energy, and reducing the impact of its operations on the environment. The report is available at [www.tva.com/envreport](http://www.tva.com/envreport).

## **Economy**

- Since October 1, 2003, TVA Economic Development and its partners have helped Valley companies attract or retain 35,133 jobs and leveraged \$1.62 billion in capital investment. During the quarter, TVA approved \$2.3 million in economic development loans for business growth in the Tennessee Valley.
- Significant projects include:
  - Dupont and Tate & Lyle BioProducts announced plans to build an \$80 million plant in Loudon County, Tenn., that will create 100 jobs. The company will use a chemical from corn that can replace certain petrochemicals.
  - Wayne Farms announced plans to build a \$55 million poultry processing plant in Decatur, Ala. The company plans to hire 151 new hourly and salaried workers.
  - Webasto Roof Systems, the world’s largest manufacturer of automobile sunroof assemblies, will build a \$14 million facility in Mayfield, Ky. The company expects to invest \$22 million and employ more than 160 workers within three years.
- TVA inaugurated a megasite certification program in April. Across the Valley, 25 sites were submitted and visited by interested communities.
- On behalf of the Appalachian Regional Commission, TVA is administering 10 new community infrastructure projects valued at \$2.6 million. The projects will attract or retain 800 jobs.

## Power Program Financial and Statistical Highlights

### Financial Highlights (millions)

|   | Three Months Ended<br>June 30 |               | Nine Months Ended<br>June 30 |               |
|---|-------------------------------|---------------|------------------------------|---------------|
|   | 2004                          | 2003          | 2004                         | 2003          |
| Operating revenues  | \$ 1,857                      | \$ 1,630      | \$ 5,513                     | \$ 5,104      |
| Operating expenses  | (1,463)                       | (1,309)       | (4,289)                      | (3,926)       |
| <b>Operating income</b>                                   | <b>394</b>                    | <b>321</b>    | <b>1,224</b>                 | <b>1,178</b>  |
| Other, net  | 37                            | 3             | 57                           | 14            |
| Interest expense  | (326)                         | (332)         | (985)                        | (1,013)       |
| Income before cumulative<br>effects of accounting changes | 105                           | (8)           | 296                          | 179           |
| Cumulative effects of<br>accounting changes               | -                             | -             | -                            | 217           |
| <b>Net income (loss)</b>                                  | <b>\$ 105</b>                 | <b>\$ (8)</b> | <b>\$ 296</b>                | <b>\$ 396</b> |

### Sales of Electricity (millions – kWh)

|                                      | Three Months Ended<br>June 30 |               | Nine Months Ended<br>June 30 |                |
|--------------------------------------|-------------------------------|---------------|------------------------------|----------------|
|                                      | 2004                          | 2003          | 2004                         | 2003           |
| Municipalities and cooperatives      | 32,509                        | 30,219        | 96,501                       | 94,154         |
| Industries directly served           | 7,539                         | 6,786         | 23,195                       | 21,962         |
| Federal agencies and other utilities | 673                           | 649           | 2,371                        | 2,118          |
| <b>Total sales of electricity</b>    | <b>40,721</b>                 | <b>37,654</b> | <b>122,067</b>               | <b>118,234</b> |

This fact sheet includes limited financial and operational data about TVA. The information in this report should be read in conjunction with TVA's Quarterly Report for the quarter ending June 30, 2004, its fiscal year 2003 Information Statement dated February 4, 2004, and a description of current events that may be of importance to TVA's stakeholders. This information is available on TVA's Web site at [www.tva.com/finance](http://www.tva.com/finance) and is incorporated herein by reference.